

TEACHERS' RETIREMENT BOARD  
EXECUTIVE COMPENSATION COMMITTEE

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SUBJECT: CEA Incentive Compensation Plan

ITEM NUMBER: 5

ATTACHMENT(S):     

ACTION:     

DATE OF MEETING: September 2, 1998

INFORMATION: X

PRESENTER: Mr. Mosman

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Under its charter, the Executive Compensation Committee has the authority and responsibility to "...develop and manage a pay incentive program to recognize achievement by the Chief Executive Officer, Chief Investment Officer and other positions as specified, and Career Executive Assignment staff (Executive Staff)." As noted at the August meeting, STRS has retained a consultant to help develop a plan for performance-based compensation for career executives serving STRS as Deputy Chief Executive Officers. The proposed plan would be in effect for the current year. The plan would include the following key features:

- A rigorous process for annual establishment and semi-annual progress review of individual and collaborative DCEO objectives that are measurable and that respond to STRS top priorities;
- Annual anonymous peer, subordinate, and internal and external customer and supplier input to the CEO to assist in making compensation decisions;
- Allows adjustments to base compensation and permits the granting or suspension of temporary bonuses above base compensation based on the performance of DCEOs on group objectives, on individual DCEO objectives, and/or on individual executive competence;
- Provides an increase to the current CEA salary cap of 10 percent to fund incentive awards (this requires approval by the Department of Personnel Administration);
- Allows incentive pay of not more than 10 percent to be awarded effective July 1, 1999 in recognition of accomplishment of objectives achieved and executive competence exhibited in fiscal year 1998/1999.

This proposal represents Phase I of an overall Management Team Incentive Compensation Program that would ultimately include exempt staff and STRS managers at the Division Chief level.